



(Billing Code 5001-06-P)

DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Parts 211, 212, 218, 246, 252 and Appendix F to Chapter 2

RIN 0750-AH64

Defense Federal Acquisition Regulation Supplement: Item Unique Identifier Update (DFARS Case 2011-D055)

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Proposed rule.

SUMMARY: DoD is proposing to amend the Defense Federal Acquisition Regulation Supplement (DFARS) to update and clarify requirements for unique identification and valuation of items delivered under DoD contracts. The proposed rule revises the applicable prescription and contract clause to reflect the current requirements.

DATES: Comment Date: Comments on the proposed rule should be submitted in writing to the address shown below on or before **[Insert date 60 days after date of publication in the FEDERAL REGISTER]**, to be considered in the formation of a final rule.

ADDRESSES: Submit comments identified by DFARS Case 2011-D055, using any of the following methods:

o Regulations.gov: <http://www.regulations.gov>. Submit comments via the Federal eRulemaking portal by inputting "DFARS

Case 2011-D055" under the heading "Enter keyword or ID" and selecting "Search." Select the link "Submit a Comment" that corresponds with "DFARS Case 2011-D055." Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "DFARS Case 2011-D055" on your attached document.

- o E-mail: dfars@osd.mil. Include DFARS Case 2011-D055 in the subject line of the message.

- o Fax: 571-372-6094.

- o Mail: Defense Acquisition Regulations System, Attn: Mr. Dustin Pitsch, OUSD(AT&L)DPAP/DARS, Room 3B855, 3060 Defense Pentagon, Washington, DC 20301-3060.

Comments received generally will be posted without change to <http://www.regulations.gov>, including any personal information provided. To confirm receipt of your comment(s), please check www.regulations.gov, approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Mr. Dustin Pitsch, telephone 571-372-6090.

SUPPLEMENTARY INFORMATION:

I. Background

The contract clause at DFARS 252.211-7003, Item Identification and Valuation, requires unique identification for all delivered

items for which the Government's unit acquisition cost is \$5,000 or more and for other items designated by the Government. In addition, the clause requires identification of the Government's unit acquisition cost for all delivered items, and provides instructions to contractors regarding the identification and valuation processes.

This proposed rule revises the prescription and the clause at DFARS 252.211-7003 to update and clarify instructions for the identification and valuation processes. The changes include—

- Adding definitions for data matrix and type designation;
- Specifically addressing item unique identification requirements for items with warranty requirements; DoD serially managed items, and special tooling or special test equipment;
- Clarifying of data submission requirements for a Major Defense Acquisition Program; and,
- Adding an alternative data submission method using either hard copy or a wide-area-workflow attachment.

II. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563

emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

III. Regulatory Flexibility Act

DoD does not expect this proposed rule to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, et seq., because the changes being made do not increase the burden of the item unique identification requirements, nor do they cause the requirement to be applicable to any additional small businesses. However, an initial regulatory flexibility analysis has been performed and is summarized as follows:

The proposed changes are being made to refine the language of the regulations and update the clause and prescription to comply with existing item unique identification policy. This DFARS case also adds reporting requirements for special tooling and special test equipment, warranty, and type designation, updates text to describe the reason for the policy, clears up language that has been confusing in practice, and adds an alternative method of data submission using either hard copy or a wide-area-

workflow attachment. It also eliminates Alternate I of DFARS 252.211-7003, which cites reporting requirements covered by other mechanisms.

This rule will apply to small businesses involved in manufacturing. There are currently 1,495 small businesses registered in the Item Unique Identification Registry, out of 2,431 total companies registered. The changes made by this rule will not affect the number of businesses required to be registered in the Item Unique Identification Registry.

This rule does not add any new information collection requirements as it only clarifies existing requirements.

The rule does not duplicate, overlap, or conflict with any other Federal rules.

No alternatives were determined that will accomplish the objectives of the rule.

DoD invites comments from small business concerns and other interested parties on the expected impact of this rule on small entities.

DoD will also consider comments from small entities concerning the existing regulations in subparts affected by this rule in accordance with 5 U.S.C. 610. Interested parties must submit such comments separately and should cite 5 U.S.C 610 (DFARS Case 2011-D055), in correspondence.

IV. Paperwork Reduction Act

This rule does not add any new information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. chapter 35) beyond those already covered by OMB Control Numbers 0704-0246 and 0704-0248. OMB Control Number 0704-0246, titled "Defense Federal Acquisition Regulations Supplement (DFARS) Part 245, Government Property, related clauses in DFARS 252, and related forms in DFARS 253," which includes information collection requirements for DFARS subpart 211.274. OMB Control Number 0704-0248, titled "Defense Federal Acquisition Regulations Supplement (DFARS) Appendix F, Material Inspection and Receiving Report and related forms," which covers all information submitted through the Wide Area Workflow system.

List of Subjects in 48 CFR Parts 211, 212, 218, 246, 252 and Appendix F

Government procurement.

Mary Overstreet,

Editor, Defense Acquisition Regulations System.

Therefore 48 CFR parts 211, 212, 218, 246, 252, and Appendix F are amended as follows:

1. The authority citation for 48 CFR parts 211, 218, and 246 is revised to read as follows:

Authority: .41 U.S.C. 1303 and 48 CFR chapter 1.

PART 211—DESCRIBING AGENCY NEEDS

2. The section heading for section 211.274 is revised to read as follows:

211.274 Item unique identification and valuation requirements.

3. Revise section 211.274-1 to read as follows:

211.274-1 General.

Item unique identification and valuation is a system of marking, valuing, and tracking items delivered to DoD that enhances logistics, contracting, and financial business transactions supporting the United States and coalition troops. Through item unique identification policy, which capitalizes on leading practices and embraces open standards, DoD—

- (a) Achieves lower life-cycle cost of item management and improve life-cycle property management;
- (b) Improves operational readiness;
- (c) Provides reliable accountability of property and asset visibility throughout the life cycle;
- (d) Reduces the burden on the workforce through increased productivity and efficiency; and
- (e) Ensures item level traceability throughout lifecycle to strengthen supply chain integrity, enhance cyber security and combat counterfeiting.

4. Section 211.274-2 is amended by—

- a. Revising the section heading;

- b. Revising paragraph (a);
- c. Revising paragraph (b) introductory text;
- d. Revising paragraph (b)(2) introductory text; and
- e. Revising paragraph (b)(2)(ii).

The revisions read as follows:

211.274-2 Policy for item unique identification.

(a) It is DoD policy that DoD item unique identification, or a DoD recognized unique identification equivalent, is required for all delivered items, including items of contractor-acquired property delivered on contract line items (see PGI 245.402-71 for guidance when delivery of contractor acquired property is required)–

(1) For which the Government's unit acquisition cost is \$5,000 or more;

(2) For which the Government's unit acquisition cost is less than \$5,000, when identified by the requiring activity as serially managed;

(3) For mission essential, controlled inventory, or other items when the Government's unit acquisition cost is less than \$5,000, and the requiring activity determines that permanent identification is required; or

(4) Regardless of value for any–

(i) DoD serially managed subassembly, component, or part embedded within a subassembly, component, or part;

(ii) Parent item (as defined in 252.211-7003(a)) that contains the embedded subassembly, component, or part;

(iii) Warranted serialized item;

(iv) Item of special tooling or special test equipment as defined at FAR 2.101 for a major defense acquisition program that is designated for preservation and storage in accordance with the requirements of section 815 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110-417);

(v) DoD serially managed item (reparable or nonreparable); and

(vi) High risk item identified by the requiring activity as vulnerable to supply chain threat, a target of cyber threats, or counterfeiting.

(b) Exceptions. The Contractor will not be required to provide DoD item unique item identification if—

(1) * * *

(2) A determination and findings has been executed concluding that it is more cost effective for the Government requiring activity to assign, mark, and register the unique item identifier after delivery, and the item is acquired from a small business concern, or is a commercial item acquired under FAR part 12 or part 8.

(i)***

(ii) Send a signed copy of the determination and findings

required by paragraph (b)(2)(i) of this subsection to DPAP, PDI, 3060 Defense Pentagon, 3E1044, Washington, DC 20301-3060; or by email to DPAP_PDI@osd.mil.

5. Section 211.274-3 is amended by—

a. Revising paragraph (a); and

b. Amending paragraph (c) by removing the word "need" and adding in its place the word "shall".

211.274-3 Policy for valuation.

(a) It is DoD policy that contractors shall be required to identify the Government's unit acquisition cost for all deliverable end items to which item unique identification applies.

* * * * *

6. Section 211.274-4 is amended by—

a. Revising the section heading;

b. Revising the introductory text;

c. Removing paragraphs (a), (b), and (c);

d. Redesignating paragraphs (d) through (h) as paragraphs (a) through (e); and

e. In the newly redesignated paragraph (a), removing the word "Part" and adding in its place the word "part".

The revisions read as follows:

211.274-4 Policy for reporting of Government-furnished property.

It is DoD policy that Government-furnished property be recorded in the DoD Item Unique Identification Registry, except for—

* * * * *

7. Amend section 211.274-6 by—

a. Revising paragraph (a); and

b. Amending paragraph (c)(1) to remove the words "252.211-7003, Item Identification and Valuation" and insert in its place the words "252.211-7003, Item Unique Identification and Valuation".

The revisions read as follows:

211.274-6 Contract clauses.

(a)(1) Use the clause at 252.211-7003, Item Unique Identification and Valuation, in solicitations and contracts—

(i) For supplies, unless the conditions in 211.274-2(b) apply;

(ii) For services that involve the furnishing of supplies, unless the conditions in 211.274-2(b) apply;

(iii) That contain the clause at FAR 52.245-1; or

(iv) That contain the clause at 252.211-7007.

(2) Complete paragraph (c)(1)(i) of the clause with the contract line, subline, or exhibit line item numbers of any line items excluded from coverage in accordance with 211.274-2(b)(3).

(3) Identify in paragraph (c)(1)(ii) of the clause the contract line, subline, or exhibit line item number and description of any item(s) below \$5,000 in unit acquisition cost for which DoD item unique identification or a DoD recognized unique

identification equivalent is required in accordance with 211.274-2(a)(2) or (3).

(4) Identify in paragraph (c)(1)(iii) of the clause the applicable attachment number, when DoD item unique identification or a DoD recognized unique identification equivalent is required in accordance with 211.274-2(a)(4) (i) through (vi).

* * * * *

PART 212—ACQUISITION OF COMMERCIAL ITEMS

8. The authority citation for 48 CFR part 212 continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

212.301 [Amended]

9. Section 212.301(f)(iv)(D) is amended by—

a. Removing the words "252.211-7003, Item Identification and Valuation" and adding in its place the words "252.211-7003, Item Unique Identification and Valuation"; and

b. Removing "211.274-4" and adding in its place "211.274-6(a)".

PART 218—EMERGENCY ACQUISITIONS

10. Section 218.201(2) is revised to read as follows:

218.201 Contingency operation.

* * * * *

(2) Policy for item unique identification. Contractors will not be required to provide DoD item unique identification if the

items, as determined by the head of the agency, are to be used to support a contingency operation. See 211.274-2(b).

* * * * *

PART 246—QUALITY ASSURANCE

246.710 [Amended]

11. Section 246.710(5)(i) is amended by removing "252.211-7003, Item Identification and Valuation" and adding in its place "252.211-7003, Item Unique Identification and Valuation".

PART 252—SOLICITATION PROVISIONS AND CONTRACT CLAUSES

12. The authority citation for 48 CFR part 252 continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

13. Section 252.211-7003 is amended by—

- a. Revising the section heading;
- b. Revising the clause heading;
- c. Removing from the clause heading "(JUN 2011)" and adding in its place "(DATE)";
- d. Amending paragraph (a) definitions by—
 - (i) Adding, in alphabetical order, definitions for "Data matrix" and "Type designation";
 - (ii) Removing the definition title "DoD unique item identification" and adding in its place "DoD item unique identification".
- e. Revising paragraph (c);

- f. Amending paragraph (d) by—
 - i. Revising the introductory text; and
 - ii. Adding subparagraphs (12), (13), and (14).
- g. Amending paragraph (e) by revising the introductory text;
- h. Revising paragraph (f); and
- i. Removing Alternate I of the basic clause.

The additions and revisions read as follows:

252.211-7003 Item Unique Identification and Valuation.

As prescribed in 211.274-6(a), use the following clause:

ITEM UNIQUE IDENTIFICATION AND VALUATION (DATE)

(a) * * *

"Data matrix" means a two-dimensional matrix symbology, which is made up of square modules arranged within a perimeter finder pattern and uses the Error Checking and Correction 200 (Reed-Solomon error correction algorithm).

* * *

"Type designation" means a combination of letters and numerals assigned by the Government to a complete item, such as a major end item, assembly or subassembly, as appropriate, to provide a convenient means of differentiating between items having the same basic name and to indicate modifications and changes thereto.

* * * * *

(c) Unique item identifier.

- (1) The Contractor shall provide a unique item identifier

for the following:

(i) Delivered items for which the Government's unit acquisition cost is \$5,000 or more, except for the following line items:

Contract Line, Subline, or

Exhibit Line Item Number

Item Description

_____ (ii) Items for which the Government's unit acquisition cost is less than \$5,000 that are identified in the Schedule or the following table:

Contract Line, Subline, or

Exhibit Line Item Number

Item Description

(If items are identified in the Schedule, insert "See Schedule" in this table.)

(iii) Subassemblies, components, and parts embedded within delivered items, items with warranty requirements, DoD serially managed reparable and DoD serially managed nonreparables as specified in Attachment Number ____.

(iv) Any item of special tooling or special test

equipment as defined in FAR 2.101 that have been designated for preservation and storage for a Major Defense Acquisition Program as specified in Attachment Number ____.

(v) Any item not included in (i), (ii), (iii), and (iv) for which the contractor, at its own expense, creates and marks a unique item identifier for traceability.

(2) The unique item identifier assignment and component data element combination shall not be duplicated on any other item marked by the contractor.

(3) The unique item identifier component data elements shall be marked on an item using two dimensional data matrix symbology that complies with ISO/IEC International Standard 16022, Information technology - International symbology specification - Data matrix.

(4) Data syntax and semantics of unique item identifiers.

The Contractor shall ensure that—

(i) The data elements (except issuing agency code) of the unique item identifier are encoded within the data matrix symbol that is marked on the item using one of the following three types of data qualifiers, as determined by the Contractor:

(A) Application Identifiers (AIs) (Format Indicator 05 of ISO/IEC International Standard 15434), in accordance with ISO/IEC International Standard 15418, Information Technology - EAN/UCC Application Identifiers and Fact Data Identifiers and

Maintenance and ANSI MH 10.8.2 Data Identifier and Application Identifier Standard.

(B) Data Identifiers (DIs) (Format Indicator 06 of ISO/IEC International Standard 15434), in accordance with ISO/IEC International Standard 15418, Information Technology - EAN/UCC Application Identifiers and Fact Data Identifiers and Maintenance and ANSI MH 10.8.2 Data Identifier and Application Identifier Standard.

(C) Text Element Identifiers (TEIs) (Format Indicator 12 of ISO/IEC International Standard 15434), in accordance with the Air Transport Association Common Support Data Dictionary; and

(ii) The encoded data elements of the unique item identifier conform to the transfer structure, syntax, and coding of messages and data formats specified for Format Indicators 05, 06, and 12 in ISO/IEC International Standard 15434, Information Technology - Transfer Syntax for High Capacity Automatic Data Capture Media.

(5) Unique item identifier.

(i) The Contractor shall—

(A) Determine whether to—

(1) Serialize within the enterprise identifier;

(2) Serialize within the part, lot, or batch

number; or

(3) Use a DoD recognized unique identification

equivalent (e.g. Vehicle Identification Number); and

(B) Place the data elements of the unique item identifier (enterprise identifier; serial number; DoD recognized unique identification equivalent; and for serialization within the part, lot, or batch number only: original part, lot, or batch number) on items requiring marking by paragraph (c)(1) of this clause, based on the criteria provided in MIL-STD-130, Identification Marking of U.S. Military Property, latest version.

(C) Label shipments and storage containers and packages that contain uniquely identified items in accordance with the requirements of MIL-STD-129, Military Marking for Shipment and Storage, latest version.

(D) Verify that the marks on items, shipments and storage containers and packages are machine readable and conform to the applicable standards.

(ii) The issuing agency code—

(A) Shall not be placed on the item; and

(B) Shall be derived from the data qualifier for the enterprise identifier

(d) For each item that requires item unique identification under paragraph (c)(1)(i), (ii) or (iv) of this clause or when item unique identification is provided under paragraph (c)(1)(v) in addition to the information provided as part of the Material Inspection and Receiving Report specified elsewhere in this

contract, the Contractor shall report at the time of delivery, as part of the Material Inspection and Receiving Report, the following information:

* * * * *

(12) Type designation of the item as specified in the contract specifications, if any.

(13) Whether the item is an item of Special Tooling or Special Test Equipment.

(14) Whether the item is covered by a warranty.

(e) For embedded subassemblies, components, and parts that require DoD item unique identification under paragraph (c)(1)(iii) of this clause or when item unique identification is provided under paragraph (c)(1)(v), the Contractor shall report as part of the Material Inspection and Receiving Report specified elsewhere in this contract, the following information:

* * * * *

(f) The Contractor shall submit the information required by paragraphs (d) and (e) of this clause as follows:

(1) End items shall be reported using the receiving report capability in WAWF in accordance with the clause at 252.232-7003. If WAWF is not required by this contract, follow the procedures at http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.htm 1.

(2) Embedded items shall be reported by one of the following

methods—

(i) Use of the embedded items capability in WAWF;

(ii) Direct data submission to the IUID Registry

following the procedures and formats at

[http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.htm](http://www.acq.osd.mil/dpap/pdi/uid/data_submission_information.html)

l; or

(iii) Via WAWF as a deliverable attachment for exhibit

line item ____ Unique Item Identifier Report for Embedded Items,

Contract Data Requirements List, DD Form 1423.

* * * * *

(End of clause)

14. Amend section 252.225-7039 by—

a. Removing from the clause heading "(AUG 2011)" and adding in its place "(DATE)"; and

b. Revising paragraph(b)(1)(ii)(B) to read as follows.

252.225-7039 Contractors Performing Private Security Functions.

* * * * *

(b) * * *

(B) In addition, all weapons that are Government-furnished property must be assigned a unique identifier in accordance with the clauses at DFARS 252.211-7003, Item Unique Identification and Valuation, and DFARS 252.245-7001, Tagging, Labeling, and Marking of Government-Furnished Property, and physically marked in accordance with MIL-STD 130 (current

version) and DoD directives and instructions. The items must be registered in the DoD Item Unique Identification (IUID) Registry (<https://www.bpn.gov/iuid/>);

* * * * *

APPENDIX F: MATERIAL INSPECTION AND RECEIVING REPORT

F-103 [Amended]

F-301 [Amended]

15. The authority citation for 48 CFR chapter 2 appendix F continues to read as follows:

Authority: 41 U.S.C. 1303 and 48 CFR chapter 1.

16. Section F-103, paragraph (e)(1) is amended by removing "DFARS 252.211-7003, Item Identification and Valuation" and adding in its place "DFARS 252.211-7003, Item Unique Identification and Evaluation".

17. Section F-301, paragraph (18)(i) is amended by removing "DFARS 252.211-7003, Item Identification and Valuation" and adding in its place "DFARS 252.211-7003, Item Unique Identification and Evaluation".

* * * * *

[FR Doc. 2012-14289 Filed 06/14/2012 at 8:45 am; Publication Date: 06/15/2012]